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Viewing cable 10KUALALUMPUR37, MALAYSIA: ISA UPDATE - PETRONAS MOVING AWAY FROM IRAN INVESTMENT

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Understanding cables

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- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
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To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#10KUALALUMPUR37**.

Reference ID	Created	Released	Classification	Origin
10KUALALUMPUR37	2010-01-19 09:31	2011-08-30 01:44	CONFIDENTIAL	Embassy Kuala Lumpur

Appears in these articles:

<http://www.malaysia-today.net/mtcolumns/41043-wikileaks-in-iran-they-weigh-and-not-count-the-cash>

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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000037

SIPDIS

E.O. 12958: DECL: 01/19/2020
TAGS: [ECON](#) [EFIN](#) [ENIV](#) [ETRD](#) [ETTC](#) [IR](#) [KNNP](#) [MY](#)
SUBJECT: MALAYSIA: ISA UPDATE - PETRONAS MOVING AWAY FROM IRAN INVESTMENT

REF: 09 STATE 121808

Classified By: Econ Counselor Matt Matthews for reasons 1.4(b) and (d)

¶1. (C) Summary: Post approached the three Malaysian companies listed in Ref A that are reportedly doing business or contemplating doing business in Iran. Petronas told us January 11 that it has no active investments in Iran, no commitment has been made to invest in South Pars Phase 11 and its contractual obligations in the Munir block are complete, with no further investment under consideration. Petronas officials noted that Petronas is concerned about investing in Iran due to current political uncertainties there. Amona told us via telephone they sold their oil and gas (O&G) business, including any interest in the redevelopment of the Resalat Oilfield. Post has made contact with representatives from SKS Ventures, which will be reported septel. Ministry of Foreign Affairs (MFA) Principal Assistant Secretary and America Desk Officer Muhammad Radzi Jamaludin (Radzi) told post that the Ministry of International Trade and Investment (MITI) held a meeting with Petronas, Amona, and SKS Ventures and told them to cooperate with embassy inquiries on Iran investments. End Summary.

¶2. (C) Comment: Our meeting with Petronas was at a surprisingly high level and the information offered was unusually frank and forthcoming for such a sensitive topic. As a Petronas Board member, Azhar is well positioned to provide accurate information on Petronas' Iran investment plans. Post will continue to press for additional details on Petronas South Pars Phase 11 activity. End Comment.

Petronas

¶3. (C) Deputy Econcouns Salin and econoff Williams met January 11 with Petronas Board of Directors Member and Corporate Secretary Mohd Azhar Osman Khairuddin (Azhar) and his assistant, Head of Legal Research, Planning and Issues Management, Abdul Rahim Mydin (Rahim) to query Petronas about existing and planned investments in Iran,s oil and gas sector (O&G) and awareness of the Iran Sanctions Act (ISA). Deputy Econcouns delivered ref A points and provided additional background on our information request.

¶4. (C) Azhar said that Petronas does not have any investments in Iran at this time. Azhar explained that Petronas aspires to be a global company and desires a positive relationship with the USG. However, he related that Petronas was a relatively late entrant to the O&G business and was not competitive with international oil companies (IOCs) in most development areas. Petronas made the conscious decision in the mid 1990,s, with the blessing of the GOM, to compete in countries where Western sanctions precluded the largest IOCs from competing such as Iran, Sudan, Myanmar, and Mauritania, according to Azhar. He claimed that in 1996 the Petronas president met with Clinton Administration officials informing the USG of Petronas, plans to invest in Iran and that Secretary Albright gave Total, Gazprom, and Petronas ISA exemptions on South Pars Phases 2 and 3. Azhar said that Petronas developed the Siri field without an exemption and that both of Petronas, prior Iran projects are now finished. He mentioned that Petronas does have an ongoing trading relationship with Iran, exporting lubricants to Iran.

¶5. (C) Azhar told us that Malaysian O&G reserves are not large and are running out soon. (Note: Conoco Philips Malaysia confirmed that without new discoveries, Malaysian oil production will decline at approximately 10% per year, from 550,000 bpd in 2008 to roughly 490,000 bpd in 2009 and 450,000 bpd in 2010.) Azhar noted that revenues from Petronas accounted for 45% of the GOM budget last year and stated that the GOM is over-reliant on Petronas to fund its operations. He said Petronas feels tremendous pressure to grow its business in order to maintain Malaysia,s political status quo and added that Petronas wants to stay insulated from politics, but must comply with GOM policy. He acknowledged the large amount of liquid assets on Petronas, balance sheet and Petronas, concerns that those funds be invested in productive O&G assets to promote future profitability rather than be spent now on domestic programs

for political gain. He described Petronas as a stabilizing force in Malaysia and in ASEAN regionally and his desire that the USG recognize the important role Petronas plays in maintaining political stability in the region.

¶6. (C) Azhar was not aware of press accounts of Petronas investment plans in the South Pars Phase 11 gas field and was noticeably irritated that Petronas gas subsidiary Carigali had not mentioned Phase 11 when it briefed Azhar on its Iran activities. He was quite clear, from his position as a member of the Petronas Board of Directors, that no final investment decision had been made on any new project in Iran.

Azhar added that Petronas is closely following the political situation in Iran between President Ahmadinejad and the opposition and stated that Petronas is very concerned about investing in Iran at this point due to political uncertainties and the possibility of "disruptive changes."

¶7. (C) (Note: In a follow-up telephone call January 14, Rahim told econoff that investment in South Pars Phase 11 is still under consideration, but that Petronas has not committed to the investment. Econoff asked follow-up questions on the status, timing, and cost of due diligence, contract status with Iran/CNPC, and when a final decision could be reached. Rahim asked econoff to forward the follow-up questions via email and that he would try to respond. End Note.)

¶8. (C) Azhar was excited about Petronas successful bid with Shell to develop the Majnoon oilfield in Iraq. He praised the open and transparent competitive bidding process and said that Iraq's opening is putting a lot of pressure on Iran. Petronas is bullish on the political situation in Iraq and plans to compete for additional business in Iraq, according to Azhar.

Amona Claims O&G Business Sold

¶9. (C) Econoff and LES Tang Loon Lian contacted Amona December 9 via telephone regarding its announced investment in the Resalat Oilfield. An Amona representative told us Amona had sold its entire oil and gas business to Oil Corp., a publicly traded Malaysian company. Local news databases did not report announcement of a sale. A search of Bursa Malaysia publicly listed companies showed that Oil Corp. is losing significant amounts of money and appears near bankruptcy. Post will continue to check for additional details on the status of Malaysian participation in the Resalat transaction.

MFA and Trade Ministry Authorize Cooperation

¶10. (C) During a January 12 meeting, Ministry of Foreign Affairs Principal Assistant Secretary and America Desk Officer Muhammad Radzi Jamaludin (Radzi) told econoff that he had recently attended a MITI-led meeting, in which MITI called in Petronas, SKS Ventures and Amona and told them to cooperate with the embassy in our ISA inquiry. Radzi said that Petronas told MITI it does not have any investment in Iran now and that the private companies (SKS and Amona) claimed they had no financing sources for their projects in Iran. Radzi also described how Malaysian firms go to Iran with suitcases of money to purchase oil and gas concessions from the Iranians. He said that they bring too much cash to count the money, so they weigh it to determine if the amount is correct. Radzi did not offer why Malaysian firms would purchase an O&G concession from the Iranians for a project they are unable to finance.

KEITH